

BOARD OF COUNTY COMMISSIONERS

AGENDA ITEM SUMMARY

Meeting Date: 6/18/03

Division: Management Services

Bulk Item: Yes X No

Department: Risk Management

AGENDA ITEM WORDING:

Approval to accept renewal proposal from Arthur J. Gallagher for Airport Liability Insurance for Key West and Marathon Airports

ITEM BACKGROUND: Provides \$50,000,000 General Liability insurance coverage for airport operations in Key West and Marathon. Policy term is 7/27/03-7/27/04

PREVIOUS RELEVANT BOCC ACTION: approved current agreement with Arthur J. Gallagher for Airport Liability insurance 6/02

CONTRACT/AGREEMENT CHANGES:

Policy limits reduced from \$100,000,000 per recommendation of Risk Management Administrator. Off Premises Automobile liability limits reduced to \$25,000,000. Insurance consultant from Interisk concurs on both changes.

Premium reduction of \$13, 137 or 24%

STAFF RECOMMENDATIONS: Approval

TOTAL COST: \$53,484

BUDGETED: Yes X No

COST TO COUNTY: \$53,484

SOURCE OF FUNDS: Airport Funds

REVENUE PRODUCING: Yes No X AMOUNT PER MONTH Year X

APPROVED BY: County Atty X OMB/Purchasing X Risk Management Bo

DIVISION DIRECTOR APPROVAL:

Sheila A Barker
Sheila Barker

DOCUMENTATION: Included X To Follow Not Required

DISPOSITION:

AGENDA ITEM # Col

Grumhaus-Bill

From: Grumhaus-Bill
Sent: Thursday, May 29, 2003 10:09 AM
To: Horton-Peter; Paros-Reggie; Barker-Sheila
Cc: Moore-Bevette; Devane-Stacy; Slavik-Maria
Subject: Airport General Liability Insurance renewal- KW & Marathon

I have reviewed our current insurance policy and the renewal proposal from our carrier and have made some coverage changes that will result in a very favorable renewal premium. This policy covers Key West and Marathon. We have been carrying policy limits of \$100,000,000 which jumped out at me as excessive and to renew the policy at that level would have resulted in an 18% increase in premium. My research into past policy files produced no explanation of how the \$100 million figure was arrived at as being appropriate. I suspect that this came about at a time when the insurance industry was experiencing a "soft" market and coverage was relatively inexpensive for increased limits. It was apparently routinely renewed at that level and the limits were not reviewed when the market hardened and coverage got expensive.

It is my opinion that a policy limit of \$50,000,000 is appropriate given our sovereign immunity protections, minimal exposure at the Marathon location, and a larger portion of the security issues being handled by the federal government. I have presented my thoughts on this to our insurance consultant at Interisk and our broker at Arthur J. Gallagher. All have concurred with my opinion.

We had also been carrying limits for off premises automobile liability of \$50,000,000 which is extremely high given our incidental exposure in this area.

The renewal proposal that I will be forwarding to the Board for approval will have Policy Limits of \$50,000,000. The off premises Automobile coverage limit will be reduced to \$25,000,000 (this is still excessive, but no additional premium reduction will result from lowering it further or eliminating it altogether).

As a result of these changes we have gone from looking at an 18% increase to a significant decrease. The renewal premium will be **\$53,484**. This is a premium reduction of \$13,137 or 24% from last year. This also a reduction of \$25,005 or 46% lower than the proposed renewal at the higher levels. If you have any questions or concerns about this issue, please call me at ext 4454.

Bill Grumhaus, Risk Management Administrator
grumhaus-bill@monroecounty-fl.gov
(305) 292-4454
1100 Simonton St.
Key West, Fl. 33040

MONROE COUNTY BOCC

JULY 27, 2003 TO JULY 27, 2004

MAY 29, 2003

SUBMITTED BY:

CHUCK LOMBARDI, VP AVIATION
DOUG MEYER, SR. ACCOUNT MANAGER
ARTHUR J. GALLAGHER & Co.
7900 E. UNION AVENUE, SUITE 200
DENVER, CO 80237
800-333-3231

SUSAN AINSZTEIN, AREA ASST VICE PRESIDENT
HEIDI GREENE, ACCOUNT MANAGER
ARTHUR J. GALLAGHER & Co.
ONE BOCA PLACE
2255 GLADES ROAD, SUITE 400E
BOCA RATON, FL 33431
561-995-6708





CONFIDENTIALITY STATEMENT

We consider as confidential any information presented by Arthur J. Gallagher & Co. in our proposal, as well as subsequent verbal and written communications between our organizations, to be confidential.

We ask that other brokers not have access to our material and that information presented in this proposal be shared only with those who have a need to know within your company.

We make our commitment to you that information already received from you, and additional to follow, will be treated with the same high level of respect and confidentiality.

ATTENTION

*This proposal of coverage is intended to facilitate your understanding of the insurance program we have arranged on your behalf. It is **not** intended to replace or supersede your insurance policies.*



TABLE OF CONTENTS

INSURANCE COMPANY

PREMIUM SUMMARY

DESCRIPTION OF AIRPORT LIABILITY COVERAGE

TERMS AND CONDITIONS

IMPORTANT DISCLOSURES



THE PRIMARY CARRIER
❖ A.M BEST'S RATING ❖

ACE USA (ACE PROPERTY & CASUALTY INSURANCE COMPANY) (PRIMARY LIMITS)		
Policy Holder Rating	A	Excellent
Financial Category	XII	

Sum Insured

Bodily Injury, Personal/Advertising Injury and Property Damage combined \$50,000,000 each occurrence/offense and in the aggregate where applicable for Bodily Injury, Personal/Advertising Injury and Property Damage Combined.

Within the foregoing:

The limits for Personal/Advertising Injury, Malpractice and Off-Premises Auto Liability shall be limited separately to the any one offense / aggregate limit included within the primary policy limit.



GUIDE TO A.M. BEST'S RATINGS

Best's Insurance Reports, published annually by A.M. Best Company, Inc., presents comprehensive reports on the financial position, history, and transactions of insurance companies operating in the United States and Canada. Companies licensed to do business in the United States are assigned a Best's Rating which attempts to measure the comparative position of the company or association against industry averages.

Best's ratings are based on analysis, which give consideration to a number of factors of varying importance. While the analysis is believed to be reliable, we cannot guarantee the accuracy of the rating or the financial stability of the insurance company.

A copy of the *Best's Insurance Report* on the insurance companies is available for your review.

BEST'S RATING CLASSIFICATIONS

A++ to A+	Superior	B to B-	Fair
A to A-	Excellent	C++ to C+	Marginal
B++ to B+	Very Good	C to C-	Weak

BEST'S FINANCIAL CLASSIFICATIONS

I	\$0	to	\$1,000,000
II	\$1,000,000	to	\$2,000,000
III	\$2,000,000	to	\$5,000,000
IV	\$5,000,000	to	\$10,000,000
V	\$10,000,000	to	\$25,000,000
VI	\$25,000,000	to	\$50,000,000
VII	\$50,000,000	to	\$100,000,000
VIII	\$100,000,000	to	\$250,000,000
IX	\$250,000,000	to	\$500,000,000
X	\$500,000,000	to	\$750,000,000
XI	\$750,000,000	to	\$1,000,000,000
XII	\$1,000,000,000	to	\$1,250,000,000
XIII	\$1,250,000,000	to	\$1,500,000,000
XIV	\$1,500,000,000	to	\$2,000,000,000
XV	\$2,000,000,000	to	or more

Note: *At your option, you may wish to consult with other available rating services.*

Arthur J. Gallagher & Co. uses A.M. Best & Co.'s rating services to evaluate the financial condition of insurers whose policies we propose to deliver. The rating of the carrier and the year of publication of that rating are indicated. Arthur J. Gallagher & Co. makes no representations and warranties concerning the solvency of any carrier, nor does it make any representation or warranty concerning the rating of the carrier that may change.



NAMED INSURED

MONROE COUNTY BOARD OF COUNTY COMMISSIONERS

1100 SIMONTON STREET, 2-274

KEY WEST, FL 33040

LOCATIONS

KEY WEST INTERNATIONAL AIRPORT (EYW)

KEY WEST, FL

MARATHON AIRPORT (MTH)

MARATHON, FL

NOTE: *Any entity not named as an insured is not covered under this policy. This includes Partnerships and Joint Ventures.*

AIRPORT GENERAL LIABILITY**LIMITS**

BODILY INJURY/PROPERTY DAMAGE	\$	50,000,000	Each Occurrence, Combined Single Limit ¹
INDEPENDENT CONTRACTORS		Included	
CONTRACTUAL LIABILITY		Included	
PRODUCTS/COMPLETED OPERATIONS	\$	50,000,000	Each Occurrence and in the Aggregate
HANGARKEEPERS LEGAL LIABILITY	\$	50,000,000	Any One Aircraft
	\$	50,000,000	Any One Occurrence
NON-OWNED AIRCRAFT LIABILITY	\$	50,000,000	Each Occurrence
ON-PREMISES AUTO LIABILITY		Included	Each Occurrence
HOST LIQUOR LIABILITY		Included	Each Occurrence
PERSONAL & ADVERTISING INJURY	\$	50,000,000	Each Occurrence and in the Aggregate
INCIDENTAL MEDICAL MALPRACTICE	\$	50,000,000	Each Occurrence and in the Aggregate
EXCESS OFF-PREMISES AUTO LIABILITY	\$	25,000,000	Each Occurrence excess of \$5,000,000 primary limit
FIRE LEGAL LIABILITY	\$	100,000	Any One Occurrence
MEDICAL EXPENSE	\$	25,000	Any One Person

DEDUCTIBLES

Each and every loss, claim and/or expense

\$ NIL

¹ \$50,000,000 is the most the policy will pay in any one occurrence regardless of the number of claims or coverage involved and is subject to lower sub-limits and aggregates as indicated


DESCRIPTION OF AIRPORT COVERAGE

NAMED INSURED - (BROAD FORM)	<i>Includes elective or appointive officers of any board, commission or agency and employees and volunteers of yours but only with respect to liability arising out of activities of the Airport. The standard fellow employee exclusion is deleted.</i>
PREMISES LIABILITY (EXCLUDING WAR RISKS) WAR RISKS ENDORSEMENT OFFERED AS AN OPTION	<i>Bodily Injury, including Mental Anguish and Property Damage. The ownership, maintenance or use of the Airports and all operations necessary thereto, but excluding the direct operation of a Control tower, including the ways and means immediately adjoining thereto, and including other incidental premises used by the Named Insured in connection with the business of the Named Insured.</i>
EXTENDED BODILY INJURY COVERAGE	<i>Includes coverage for fright or mental anguish. Also protects insureds that injure others, through the use of reasonable force, for the purpose of protecting persons or property.</i>
BROAD FORM PROPERTY DAMAGE	<i>Damage to property in your care custody and control exclusion does not apply to:</i> <i>Baggage or cargo handled by you, provided you are not handling the baggage or cargo as bailee for hire.</i> <i>To an "auto" while on the airport.</i> <i>To an "auto" or "mobile equipment" when your control is solely traffic control.</i>
NON-OWNED AIRCRAFT LIABILITY	<i>Coverage for Bodily Injury and Property Damage, (including Passengers) arising from the operation of non-owned aircraft in connection with Airport Operations. Coverage is limited to fixed wing or rotor wing with no more than 20 total seats and a gross weight not in excess of 12,500 lbs.</i>

**DESCRIPTION OF AIRPORT COVERAGE**

INDEPENDENT CONTRACTORS LIABILITY	<i>Expands definition of your work to include work or operations performed by you or on your behalf and materials, parts or equipment furnished in connection with such operations.</i>
CONTRACTUAL LIABILITY	<p><i>Expands definition of insured contract to include that part of any other contract or agreement pertaining to your business under which you assume the tort liability of another party to pay for bodily injury or property damage to a third person or organization.</i></p> <ol style="list-style-type: none"><i>1. Excludes construction within 50 feet of any railroad property</i><i>2. Any contract that indemnifies or relates to rendering or failure to render professional services by an architect, engineer or surveyor</i><i>3. Any contract that indemnifies any person or organization for damage by fire to premises rented or loaned to you.</i>
PRODUCTS AND COMPLETED OPERATIONS LIABILITY	<i>Written on an occurrence basis and subject to annual aggregate.</i>
GROUND HANGARKEEPERS LEGAL LIABILITY	<i>Provides coverage for Aircraft while not in flight and in the care, custody or control of the Insured whether the liability arises out of a direct or indirect bailment.</i>



DESCRIPTION OF AIRPORT COVERAGE

<p>PERSONAL INJURY LIABILITY AND ADVERTISING LIABILITY</p>	<p><i>Coverage for the following offenses committed during the policy period and arising out of the operations of the Named Insured: Mistaken arrest, detention or imprisonment; malicious prosecution; wrongful eviction from, wrongful entry to or invasion of the right of private occupancy; oral or written publication that slanders or libels; unintentional discrimination; misdirection of a passenger to the wrong aircraft, automobile or other connecting transportation. Coverage is subject to the annual aggregate indicated and the limit is part of and not in addition to the each occurrence limit.</i></p>
<p>INCIDENTAL MALPRACTICE</p>	<p><i>Malpractice, error or mistake by any physician, surgeon, nurse, medical technician or other person performing medical services on behalf of an insured in the provision of emergency medical relief. Coverage is subject to the annual aggregate indicated and the limit is part of and not in addition to the each occurrence limit.</i></p>
<p>HOST LIQUOR LIABILITY</p>	<p><i>Provides coverage for Bodily Injury and Property Damage arising out of the giving or serving of alcoholic beverages at functions incidental to the Named Insured's business, provided the Named Insured is not engaged in the business, manufacturing, distributing, selling, serving or furnishing of alcoholic beverages.</i></p>
<p>ON PREMISES OWNED AUTOMOBILE LIABILITY</p>	<p><i>Provides excess liability coverage for vehicles while on the Airport premises. Expands coverage by changing automobile exclusion to include "an auto or watercraft while on the airport and an auto or watercraft while not on the airport if responding to an aviation emergency". This coverage is excess over any other valid and collectable insurance.</i></p>

**DESCRIPTION OF AIRPORT COVERAGE**

OFF PREMISES AUTOMOBILE EXCESS LIABILITY	<i>Provides excess liability for vehicles assigned to the Airport while being operated off the Insured premises. Policy provides the difference between primary automobile liability of \$5,000,000 each occurrence and \$25,000,000 each occurrence.</i>
CONTINGENT CONTROL TOWER LIABILITY	<i>Excludes the direct operation of a control tower by the Insured however this coverage protects against this contingent exposure should a lawsuit arise implicating the Airport.</i>
FIRE LEGAL LIABILITY	<i>Property damage caused by fire to structures and fixtures that are rented or leased by the Named Insured.</i>


DESCRIPTION OF AIRPORT COVERAGE

SPECIAL PROVISIONS	<ul style="list-style-type: none"> → <i>90 day Notice of Cancellation (10 days for non-payment of premium)</i> → <i>Inadvertent Error or Omission to report claim does not void coverage.</i> → <i>Fellow Employee Exclusion is deleted</i>
MAJOR EXCLUSIONS	<ul style="list-style-type: none"> → <i>War, Terrorism and Associated Perils</i> → <i>Employment Related Practices</i> → <i>Pollution and Asbestos</i> → <i>Contamination and Noise</i> → <i>Electronic Data Recognition (Policy includes limited write-back endorsement.)</i> → <i>Electrical Interference</i> → <i>Interference with Use of Property</i> → <i>Air-meets contests and exhibitions (except static display of aircraft)</i> → <i>Grandstands, bleachers and observation platforms (unless part of a permanent structure on the airport)</i> → <i>Automobiles & Watercraft (unless provided)</i> → <i>Owned Aircraft</i>

NOTE: *Not all exclusions are shown. It will be necessary to refer to the actual policy for coverage, conditions, provisions and limitations.*

**PREMIUM SUMMARY**

COVERAGE	2003-04
Airport Primary Liability (\$50,000,000)	\$ 53,484
TOTAL	\$ 53,484

OPTIONS

- Add War Risks Endorsement (\$50,000,000)
\$31,094 Additional Annual Premium
- TRIA coverage (Foreign Terrorism as defined by the act)
\$31,094 Additional Annual Premium
- Add War Endorsement and TRIA
\$46,641 Additional Annual Premium

1. Quote is valid until 7/27/03



IMPORTANT DISCLOSURES



IMPORTANT DISCLOSURES

The proposal is an outline of the coverages proposed by the insurers, based on the information provided by your company. It does not include all the terms, coverages, exclusions, limitations, or conditions of the actual contract language. The policies themselves must be read for those details. Policy forms for your reference will be made available upon request.

In addition to the fees and/or commissions retained by Arthur J. Gallagher & Co., it is understood and agreed that other parties, such as excess and surplus lines brokers, wholesalers, reinsurance intermediaries, underwriting managers, and similar parties, some of which may be owned in whole or in part by Arthur J. Gallagher & Co.'s corporate parent, may earn and retain usual and customary commissions and/or fees in the course of providing insurance products. Any such fees and/or commissions will be the responsibility of client and not Arthur J. Gallagher & Co.

The information contained in this proposal is based on the historical loss experience and exposures provided to Arthur J. Gallagher & Co. This proposal is not an actuarial study. Should you wish to have this proposal reviewed by an independent actuary, we will be pleased to provide you with a listing of actuaries for your use.

Gallagher from time to time enters into arrangements with certain insurance carriers or those carriers' reinsurers providing for compensation, in addition to commissions, to be paid by such carriers or reinsurers to Gallagher or its affiliates based on, among other things, the volume of premium and/or underwriting profitability of the insurance coverages written through Gallagher by such carriers or reinsurers. In addition, Gallagher and its affiliates provide management and other services to, and receive compensation for those services from; certain reinsurers that reinsure insurance coverages written through Gallagher by other insurance carriers. The insurance coverages your purchase through Gallagher might be issued by an insurance carrier or reinsured by a reinsurer that has such a relationship with Gallagher or its affiliates.



CHANGES AND DEVELOPMENTS

It is important that we be advised of any changes in your operations that may have a bearing on the validity and/or adequacy of your insurance. The types of changes that concern us include, but are not limited to, those listed below:

1. *Changes in any operations.*
2. *Mergers and/or acquisition of new operations.*
3. *Any newly assumed contractual liability, granting of indemnities, or hold harmless agreements.*
4. *Circumstances which may require an increased liability insurance limits.*
5. *Any changes in fire or theft protection, such as the installation of or disconnection of sprinkler systems, burglar alarms, etc. This includes any alterations to same.*
6. *Conducting of special events on airport premises such as air meets, races or the use of temporary bleachers. (All are excluded by the standard airport liability form.)*
7. *Any changes in existing premises including vacancy, whether temporary or permanent, alterations, demolition, new construction etc. Also, any new premises either purchased, constructed, or occupied.*

Your insurance program will only be as good as the communications maintained between you and your insurance broker.



CLIENT AUTHORIZATION TO BIND COVERAGE

After careful consideration of your proposal dated May 29, 2003, we accept your insurance program subject to the following exceptions/changes:

EXCEPTIONS

It is understood this proposal provides only a summary of the details; the policies will contain the actual coverages.

We confirm the values, schedules, and other data contained in the proposal are from our records and acknowledge it is our responsibility to see that they are maintained accurately.

Please provide us with a binder(s) and invoice(s) for the coverages agreed upon at your earliest convenience.

Broker Signature

Client Signature

Dated

Dated

APPROVED AS TO FORM
AND LEGAL SUFFICIENCY.

BY 
ROBERT N. WOLFE

DATE 6-2-03